

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6879

BILL NUMBER: HB 1059

NOTE PREPARED: Jan 27, 2014

BILL AMENDED: Jan 21, 2014

SUBJECT: Motor Vehicle Financial Responsibility.

FIRST AUTHOR: Rep. Lehman

FIRST SPONSOR: Sen. Holdman

BILL STATUS: As Passed House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill makes various changes to the motor vehicle financial responsibility law, including the:

- (1) definition of "registration" to include the license plate issued in connection with the registration of a vehicle;
- (2) requirement of proof of financial responsibility and reinstatement fees;
- (3) suspension of a registration as a consequence of operation of the vehicle without financial responsibility in effect; and
- (4) requirement of proof of future financial responsibility for five years related to operating a vehicle without financial responsibility in effect.

This bill also increases fees for the reinstatement of a driving license suspended under the financial responsibility law and specifies that \$30 of each reinstatement fee currently charged and the amount of the fee increase must be deposited in the Motor Vehicle Highway Account (MVHA).

(The introduced version of this bill was prepared by the Interim Study Committee on Insurance.)

Effective Date: July 1, 2014; January 1, 2015.

Explanation of State Expenditures:

Explanation of State Revenues: *Summary:* This bill could increase Motor Vehicle Highway Account (MVHA) revenue received from enhanced driver's license reinstatement fees by approximately \$11.7 M per

year beginning in CY 2015. However, if these increased fees reduce the number of reinstatement requests, actual revenue could be less than the estimated amount.

The Financial Responsibility Compliance Verification Fund and MVHA could also receive additional revenue from license reinstatement fee negotiations that occur during the first half of FY 2015. Increases in revenue from these negotiations is indeterminable, but the BMV reports a total of \$131 M in unpaid license reinstatement fees.

Additional Information: This bill enhances the reinstatement fees assessed against individuals who have had their driving privileges suspended for failing to maintain financial responsibility policies. Information regarding the current reinstatement fees and the proposed reinstatement fees are included in the following table.

Suspension Offense	Current Fee	Fee As Proposed	Fee Increase
First Offense	\$150	\$250	\$100
Second Offense	\$225	\$500	\$275
Third/Subsequent Offense	\$300	\$1,000	\$700

Revenue received from the current reinstatement fee is distributed as follows.

Suspension Offense	Financial Responsibility Compliance Verification Fund	Motor Vehicle Highway Account
First Offense	\$120	\$30
Second Offense	\$195	\$30
Third/Subsequent Offense	\$270	\$30

According to the statute, a specified portion of the revenue collected from license reinstatement fees is designated for the Financial Responsibility Compliance Verification Fund. The remaining portion is deposited in the MVHA. By increasing reinstatement fees, amounts in excess of the statutorily specified amounts to the Financial Responsibility Compliance Verification Fund would be deposited in the MVHA.

Using the average number of reinstatement requests made of the BMV between FY 2011 and FY 2013, the potential increase in MVHA revenue was estimated to be \$11.7 M per year. The table on the following page provides information on the average number of reinstatement requests by suspension type and the estimated increases in MVHA revenue from the enhanced fees.

Suspension Offense	Average Reinstatement Requests (FY 2011 to 2013)	Estimated General Fund Revenue
First Offense	17,891	\$1.8 M
Second Offense	9,264	\$2.5 M
Third/Subsequent Offense	10,593	\$7.4 M
Total	37,748	\$11.7 M

It is possible the increased fee amount could reduce the number of reinstatement requests. As a result, the actual annual revenue received from the enhanced fees could be less than the estimated \$11.7 M amount.

The bill also allows the BMV to negotiate a lower reinstatement fee for license suspensions that occurred before July 1, 2014. These reinstatement fee negotiations can only occur during the first half of FY 2015. As a result, the state could receive additional revenue from negotiated reinstatement fees, which could be deposited in the Financial Responsibility Compliance Verification Fund and potentially in the MVHA. Actual revenue collected from negotiated fees is indeterminable, but the BMV reports a total of \$131 M in uncollected license reinstatement fees dating back to 1993.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: BMV.

Local Agencies Affected:

Information Sources: Tamytha Cooper, BMV; Elizabeth Murphy, BMV.

Fiscal Analyst: Bill Brumbach, 232-9559.